

[REDACTED]
[REDACTED]
[REDACTED]
JUL 2 1982

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code and the supporting information submitted.

The evidence submitted indicates you were incorporated under the non profit laws of [REDACTED] on [REDACTED]. Your purposes as stated in your Articles of Incorporation are to provide for maintenance, preservation and architectural control of the residential lots and common areas within the [REDACTED] Subdivision.

Your activities consist of owning and maintaining a clubhouse, pavilion, beach, tennis court, picnic area, "green" areas, and streets throughout the subdivision.

Your income comes from assessments from members and investment income.

Membership is open to every person or entity who is a lot owner in the subdivision.

Section 501(c)(7) of the Code exempts: "Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Revenue Ruling 75-494, found in Cumulative Bulletin 1975-2, on page 214 holds that a club providing social and recreational facilities, whose membership is limited to homeowners of a housing development, will be precluded from qualifying for exemption under section 501(c)(7) of the Code by owning and maintaining residential streets, enforcing restrictive covenants, or providing residential fire and police protection and trash collection service.

The facts presented show that your organization operates in a manner similar to the organization described in Revenue Ruling 75-494 and, as such, is not operating substantially for pleasure and recreational activities.

Therefore, we have concluded that you do not qualify for exemption as an organization described in section 501(c)(7) of the Code. Also, based on the information submitted, exempt status will not be recognized under any other paragraph of section 501(c) of the Code.

You are required to file Federal income tax returns on Form 1120 for all prior years, [REDACTED]. File these returns with your key District Director for exempt organization matters within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later years with the appropriate service center indicated in the instructions for those returns.

Your attention is called to section 528 of the Internal Revenue Code which provides certain procedures by which qualifying homeowners associations may elect to be treated as a tax exempt organization. This section of the Code was included in the Tax Reform Act of 1976. If you determine that you qualify under section 528, you must file Form 1120H. If you determine that you do not qualify under section 528, you must file corporate tax return Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]
District Director

Enclosure
[REDACTED]